

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 COME-00 L-03 H-01 PA-01  
CIAE-00 INR-10 NSAE-00 AID-05 FRB-03 USIA-06  
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 /061 W  
-----067358 010414Z /75  
R 282210Z FEB 78  
FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC 8616  
INFO TREASURY WASHDC

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EO 11652: N/A  
TAGS: EFIN MX  
SUBJECT: FOREIGN CONVENTIONS: ADMINISTRATION'S TAX  
PROPOSAL

REF: STATE 44325

1. EMBASSY APPRECIATES DEPARTMENT'S RESPONSE TO OUR REF-TEL. THUS FAR, WE ARE NOT AWARE OF ANY MEXICAN CRITICISM OF THE ADMINISTRATION'S PROPOSAL, THOUGH WE SUSPECT SOME MAY EMERGE. WHETHER OR NOT THE PROPOSAL WILL BE BENEFICIAL TO MEXICO WOULD DEPEND ON HOW THE "REASONABLENESS" OF HOLDING MEETINGS IN MEXICO IS DETERMINED.

2. AS REGARDS A DOUBLE TAXATION TREATY, THE MEXICANS HAVE VIEWED THIS AS A GREATER BENEFIT TO AN INVESTING COUNTRY THAN TO A DEVELOPING NATION WHICH IS A NET RECIPIENT OF INVESTMENT. SHOULD WE BE ABLE TO OFFER A PROVISION THAT WOULD MAKE CONVENTION EXPENDITURES IN MEXICO TAX DEDUCTIBLE FOR U.S. RESIDENTS, REGARDLESS OF THEIR REASONABLENESS FROM A TAX POINT OF VIEW, THIS WOULD MAKE A DOUBLE TAXATION TREATY CONSIDERABLY MORE ATTRACTIVE TO MEXICO.

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3. THE OTHER MAJOR OBSTACLE TO A TREATY HAS BEEN OPPOSITION TO AN EXCHANGE OF INFORMATION PROVISION BY MEXICANS WITH U.S. INCOME, BY U.S. RESIDENTS WITH MEXICAN INCOME AND BY U.S. CITIZENS RESIDENT IN MEXICO. IN THEORY, MEXICO'S INDIVIDUAL INCOME TAX IS LEVIED ON GLOBAL INCOME. AN EXCHANGE OF INFORMATION PROVISION WOULD BE USEFUL TO THE TAX SERVICES OF BOTH COUNTRIES, BUT WOULD BE STRONGLY

OPPOSED BY CITIZENS OF BOTH COUNTRIES WHO DO NOT ALWAYS REPORT THEIR GLOBAL INCOME ACCURATELY. IN THE PAST, WE HAVE BEEN TOLD THAT SUCH OPPOSITION HAS PREVENTED DISCUSSING A DOUBLE TAXATION TREATY.

4. WE PRESUME THAT WE SHOULD NOT RAISE AT THIS STAGE THE POSSIBILITY OF A DOUBLE TAXATION TREATY WITH A CLAUSE GIVING CONVENTIONS IN MEXICO THE SAME TAX TREATMENT AS THEY HOLD IN THE UNITED STATES. PLEASE ADVISE. THOMPSON

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TAXES, FOREIGN INVESTMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 feb 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978MEXICO03456  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Reference:** 78 STATE 44325  
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**Subject:** FOREIGN CONVENTIONS: ADMINISTRATION'S TAX PROPOSAL  
**TAGS:** EFIN, MX, US  
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**Type:** TE  
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**Review Markings:**  
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